



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF AGRICULTURE
BUREAU OF FOOD DISTRIBUTION

April 25, 2000

Mr. Les Johnson
Director
USDA, Food & Nutrition Service
Food Distribution Division
3101 Park Center Drive
Alexandria, Virginia 22302

Dear Mr. Johnson:

Pennsylvania applauds the USDA's initiative to improve the food distribution program. It is evident that changes were needed to bring the food distribution program into the new millennium. After reviewing the sixteen proposals for change, it appears that most of these proposals are actually changes states have been requesting for many years. Below are our comments on the proposals.

1. Pennsylvania supports long-term contracting and asks USDA to consider expanding the present program to include other commodities, especially beef. Long-term contracting for cheese has been very beneficial and has created a more even flow of cheese through Pennsylvania's distribution system. It has even resulted in lower cheese prices in April and May.
2. Best value contracting is also a concept that Pennsylvania supports. Low price is not always the best buy.
3. Pennsylvania would like to see the commodity specifications more in line with industry specifications. Any requirement that is non-industry standard usually results in higher prices to the recipient agencies.
4. Pennsylvania supports the use of commercial labels, however, new guidelines on tracking inventory will be necessary.

5. Pennsylvania has supported the concept of national processing agreements since 1971 for continuity among states and the resulting lower prices. However, there are many areas of the proposal that are of concern. The national umbrella contract is a good idea. However, tracking dollar entitlement becomes an issue. This is currently an important and extensive activity for states, and Pennsylvania feels that if handled at the Federal level the workload would be monumental and far less responsive than if left to states. It would also mean other areas of processing would have to be limited; such as the number of products a processor could offer. If schools are then restricted on the variety of products they can access, the change could be trading one set of problems for another; or one complaint for another.
6. Pennsylvania does not support 100% substitution at this time. There are many gray areas that need to be addressed. Proper accountability must be established, and there are concerns about safety issues and liability for recalled products.
7. Seamless commodity distribution is not a concept we support at this time. There are too many unanswered questions. Distribution could become a major factor. Any volume of commodity removed from Pennsylvania's existing commodity distribution network would put the network at risk. The commercial distributors under contract, and those contracts were created with USDA's encouragement, would no longer find the contracts attractive. The state would not have a system to distribute commodity not included in the "seamless network." In addition, without a "reasonable" volume of commodity moving through the state's network for NSLP, Pennsylvania would most likely lose its network to distribute TEFAP and other program commodity.

Also, schools could want product from a processor but not have access to the product because distributors in their state would not carry that product. There is also a concern that this concept could favor the larger companies and eliminate the small businesses. The major benefit described in this concept is that schools could order the same product all year long. We contend if long-term contracts, best-value contracting, and improved specifications are initiated, this problem could be solved without seamless distribution. Again, the "seamless system" could cause more problems than it resolves.

Another concern is the loss of commodity in the warehouses in case of a disaster. Pennsylvania has relied on the distribution

system to supply food for disaster feeding several times over the past few years. Without our distribution network, where do we go for the food?

8. Processing commodities with limited demand sounds like a version of State Option Contracts. This wasn't a very successful program in the past. However, Pennsylvania can support this concept for those states currently without an effective state commodity processing program.
9. We applaud the Chart Team for the efforts that resulted in this and also Numbers 10 and 11. States have been asking for help in this area for many years. Recalls and holds have been costly for schools and warehouses/distributors. Processors have also had problems with recalls that take forever for reimbursement or may never be resolved. This is a real step in the right direction.
12. Computer connectivity to schools could be a good idea. It may be very costly for some schools. However, using this technology to have schools contact USDA to order product is still something Pennsylvania does not support. Using computer connectivity so schools could access important USDA facts and information could be beneficial. Schools would have to determine if the benefits outweighed the cost. We support connectivity at the state level as well. If schools had access to our information, it would also be beneficial in menu planning.
13. A single USDA point of contact would be very helpful in many areas. However, we hope the intent is not to eliminate the schools' accessibility to this office or to the regional offices. It is important for states to know what is going on with the schools, especially if we will have to become involved in resolving problems of which we are not aware.

Also, it would be unfair to states and the Regional Offices to have a recipient agency raise a "complaint" with the single USDA point of contact about a state action or Regional action, only to find out that the complaint was never brought to the attention of the affected party, or that "all sides of the issue" were not aired fairly. No entity, the state or the Regional Office should have a school "going directly above their heads" to solve a problem that was never raised with those on the front lines, i.e., the state or Regional Office.

14. Pennsylvania supports the use of pilots to test improvements but not until more thought has been given to how the pilots will be operated and how they will be monitored. Pilot programs have a

tendency to never end. Our fear is there will be so many pilots on so many issues that no one will be able to clearly articulate the benefits. Lets go slow and provide tests that are defined and monitored to give accurate results of their effectiveness. It also appears that larger processors will have an advantage over the smaller companies. Small schools could lose the advantages they now have of equal access to commodities and to processing. Arguably the only way to ensure equity of commodity entitlement is by "cashing out" all schools; but then that would diminish support for agriculture.

15. Pennsylvania supports the use of Section 4 & 11 funds for commodity purchases. DOD's initiative of several years ago to deal directly with schools, and to bill schools directly was welcomed.
16. We definitely support paperwork reduction.

Thank you for the opportunity to provide comments on the USDA proposal for change. If you have any questions on these comments, please feel free to contact me at (717) 787-2940.

Sincerely,



Barry Shutt, Director

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